



District 6 - Barber - Barton - Clark - Comanche - Edwards - Ford - Gray - Harper - Hodgeman - Kiowa - Ness - Pawnee - Pratt - Rush - Stafford

January 2006

PAYMENT ELIGIBILITY AND PAYMENT LIMITATION REQUIREMENTS

Producers should be aware of payment limitation and payment eligibility requirements to be eligible for most United States Department of Agriculture (USDA) benefits. Program payments that require eligibility determinations prior to payment include the Direct and Counter Cyclical Program, Conservation Reserve Program, Loan Deficiency, Marketing Loan Gains, Environmental Quality Incentive, and Disaster Assistance Programs.

No program benefits can be afforded any producer until form CCC-502, Farm Operating Plan for Payment Eligibility Review and supporting documentation has been provided and County Committee determinations made. The Farm Operating Plan does not need to be filed annually. However, producers are required to notify the County Office of any changes in the farming operation which would affect a "person," actively engaged in farming," cash-rent tenant, or foreign person determination. Changes that may affect a determination include, but are not limited to the following:

- Contract shares that may reflect a change of land lease from cash rent to share rent or a change from share rent to cash rent, modification of a variable/fixed bushel rent arrangement.
- The size of a producer's farming operation by the addition or deletion of a farm that may affect the application of a cropland factor.
- The structure of a farming operation, including any change in the member's share.
- Contributions of farm inputs of capital, equipment, active personal labor, or active personal management.
- The acquisition of farming interests not previously disclosed on CCC-502 or update, including the farming interests of a spouse or minor child.
- An increase in income that may affect the 3-year average for the determination of average adjusted gross income or other change that affects eligibility under the average adjusted income limitation.

By statute, entities earning program benefits subject to a payment limitation must provide to the county committee the names, addresses, and ID numbers of the entities' members. The entity is also required to inform its members of the requirements to designate "permitted entities." Signature authority is required for all entities.

Form **AD-1026**, Highly Erodible Land Conservation (HELC) and Wetland Certification (WC), must also be on file and a County Committee determination made prior to receiving benefits for most programs.

A "person" or entity can earn \$40,000 per year in Direct payments, \$65,000 in Counter Cyclical payments, \$50,000 under the Conservation Reserve Program, \$450,000 under the Environmental Quality Incentive Program, and \$100,000 under the Noninsured Crop Disaster Assistance Program. Other programs also have payment limits, such as Loan Deficiency payments and Marketing Loan gains of up to \$75,000, a separate marketing loan gain or LDP limitation of \$75,000 exists for honey, peanuts, mohair, and wool. Spouses, if certain conditions are met, may be considered a separate person for payment limitation purposes if they request to be. An individual or entity cannot be eligible to receive certain payments and benefits if the average adjusted gross income (AGI) exceeds \$2.5 million unless at least 75 percent of the average AGI was derived from farming, ranching, or forestry operations.

Payment limitation and payment eligibility determinations may be initiated by the County Committee or requested by the producer. All payment limitations and eligibility determinations, as well as AGI certifications, are subject to spot check. A "not actively engaged in farming" determination may result in the loss or denial of all program benefits and request for repayment of USDA payments or loans.

Noncompliance with the adjusted gross income provisions, either by exceeding the \$2.5 million limitation or by failure to submit the applicable certification statement, will result in the determination of ineligibility for all program benefits subject to the adjusted gross income provisions. Program benefits shall be reduced in an amount that is commensurate with the direct and indirect interest held by an ineligible individual or entity in any entity, general partnership, or joint operation that receives benefits subject to the average adjusted gross income limitation.

RECORD CHANGES

If you have bought, sold, or are renting different land, make sure you report the changes to the FSA office as soon as possible after they occur. For farm ownership changes you will need to provide a recorded deed or recorded land contract. Failure to maintain accurate records with FSA on all land you have an interest in can lead to possible program ineligibility and fines if you are participating.

FARM STORAGE FACILITY LOANS



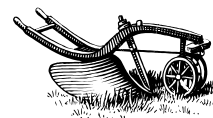
Low cost loans for storage facilities are available for producers to build or remodel farm storage facilities for a variety of commodities, including wheat, rice, soybeans and corn. The interest rate changes each month. The November interest rate was 4.5 percent.

The seven-year Farm Storage Facility Loans are available for the purchase and installation of eligible storage facilities, permanently affixed drying or handling equipment, or remodeling existing facilities. Eligible facilities include new conventional-type cribs or bins and new and remanufactured oxygen-limiting and other upright silo-type structures.

All farm storage facility loans are secured by a promissory note and security agreement. The maximum amount that may be borrowed is 85 percent of the net cost of the storage or handling equipment, up to \$100,000 for each borrower. A minimum down payment is also required. For details, contact the county office staff.

FOREIGN INVESTORS 90-DAY REPORTING RULE

Foreign owners of U.S. agricultural land are required by law to report their land holdings, acquisitions, leases of 10 years or more, and land use changes within 90 days to the local FSA office. Failure to report these changes can result in a civil penalty of up to 25 percent of the fair market value of their interest in the agricultural land.



DESIGNATION BY LANDOWNER

Producers are reminded of the importance of reporting to their local Farm Service Agency (FSA) Office any change to their farming operation that would affect the status of that farm so the change can be effective for the current fiscal year. A farm, as defined by FSA, is generally made up of tracts that have the same owner and the same operator. A sale of land in the farm or a tract of land within the farm would be an instance that requires notifying the local FSA office so a farm reconstitution can be initiated using the FSA-155, Request for Farm Reconstitution. These requests must be made by June 1.

A special provision exists that would allow contract acres to be divided in a manner agreed to by all sellers and buyers. The method of division, know as the “Designation by Landowner” provision, must be requested and requires all sellers and buyers agree to the method by signing the FSA-155, or providing a memorandum of understanding that includes signatures of all sellers and buyers.

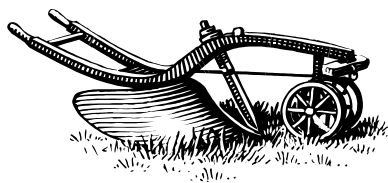
The designation by landowner method of division may be used more specifically when:

- Part of the farm is sold or ownership is transferred.
- An entire farm is sold to 2 or more persons.
- Farm ownership is transferred to 2 or more persons.
- Part of a tract is sold or ownership is transferred.
- A tract is sold to 2 or more persons.
- Tract ownership is transferred to 2 or more persons.

When notifying the county office of ownership changes, the designation by landowner method of division should be discussed to see if this method would result in a more satisfactory division of contract acres compared to the default method most commonly used for farm and tract divisions. The designation by landowner method can only be used when requested and if all buyers and sellers agree in writing.

REASONALBLE ACCOMODATIONS

Reasonable accommodations will be made, upon request, for individuals with disabilities, vision impairment, or hearing impairment to attend or participate in meetings or events sponsored by the Farm Service Agency if you require special accommodations.



DIRECT AND COUNTER
CYCLICAL SIGNUP

The annual signup for the Direct and Counter Cyclical Program (DCP) Signup has begun and will continue through June 1, 2006. Producers must annually enrolled in DCP, and may request advance payments on either or both the Direct or Counter Cyclical payments. One half of the Direct Payments may be requested in any month January through September, and final payment issued after October 1, 2006. Please contact your local FSA Office for an appointment.

CONDUCT BUSINESS ON-LINE

Producers can obtain an eAuthentication level 2 account and conduct USDA business on-line 24 hours a day, 7 days a week from home. This access requires filling out an online registration form at <http://www.eauth.egov.usda.gov>, followed by a visit to a USDA Service Center for identification verification. You must have an e-mail address.

Once access is obtained, producers can conduct USDA business online such as eLDP’s (Loan Deficiency Payments), eForms, Customer Statement, Financial Inquiry and other programs that will become available electronically in the future.

LOANS AVAILABLE FOR BEGINNING
FARMERS, SOCIALLY DISADVANTAGED

The Farm Service Agency is authorized to assist beginning farmers and or socially disadvantaged farmers and ranchers to finance agricultural enterprises. Under these programs, FSA can provide financing to eligible applicants through either direct or guaranteed loans. FSA defines a beginning farmer as a person whom:

- Has operated a farm for more than three years but not more than 10 years.
- Will materially and substantially participate in the operation of the farm.
- Agrees to participate in a loan assessment, borrower training and financial management program sponsored by FSA.
- Does not own a farm in excess of 30 percent of the county’s average size.
-

Each member of an entity must meet the eligibility requirements. Loan approval is not guaranteed. Socially disadvantaged farmers or ranchers are identified as those who belong to a socially disadvantaged group.